

# Marketing: Managing Profitable Customer Relationships

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Readings

- Chapter 1



# Learning Objectives

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After studying this chapter, you should be able to:

1. Define marketing
2. Explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts
3. Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return

**We all talk about marketing.**

**But, what is **MARKETING**?**

What comes to your mind when you hear the word “marketing”?

How would you define marketing?

Part 1. (3 mins)

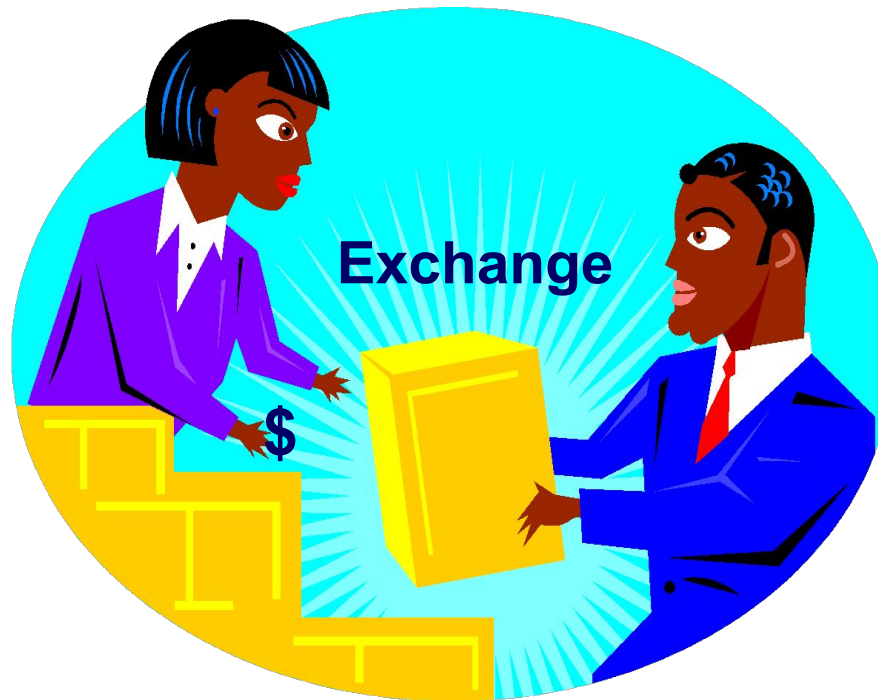
Type **YOUR definition** (do not copy and paste from other sources) in the Zoom chat

Part 2. (5 mins in teams; 5-10 mins for discussion)

Discuss in groups and present to the class (share your team definition in the zoom chat)

# What is Marketing?

**Individuals  
Organizations  
(needs, wants)**



**Companies  
(goods, services)**

***Make profit by satisfying customers  
needs better than competitors!***

# Definition



The Chartered  
Institute of Marketing

- “ The management process responsible for identifying, anticipating and satisfying customer requirements profitably.” (Marketing and the 7Ps – © CIM 2015)

## Goals:

1. *Attract new customers by promising superior value.*
2. *Keep and grow current customers by delivering satisfaction.*

# Definition



AMERICAN  
MARKETING  
ASSOCIATION

## Definition of Marketing

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Approved by the American Marketing Association Board of Directors, July 2013

<https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>

# Definition from the textbook

- Marketing is the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.

● FIGURE | 1.1

The Marketing Process: Creating and Capturing Customer Value



# Evolution of Business

## Marketing Management Orientations

**Henry Ford's assembly line turns 100**

[Video](#) 2:37

Production

n





# Evolution of Business

**BETTENHAUSEN DODGE**

**BUY TWO** For the Price of **ONE**

**OVER 20 MILLION DOLLARS TO LEND APPROVING CREDIT TODAY**

**BUY A** New 2008 Durango SXT **AND A** 2008 Avenger

SA # 01082 AGP 530 505 Buy for \$18,418

SA # 01408 Buy for \$11,547

**BUY 2 for the PRICE of 1**

Sales

Production



# АКЦИЯ

ПРЕДСТАВИТЕЛЬСТВО САНКТ-ПЕТЕРБУРГСКОГО ТЕРМИНАЛА  
в г. Алматы проводит тотальную распродажу со своего склада  
без посредников, кожаных ОСЕННИХ курток TREND 2016-2017  
(в преддверии новых поступлений партий зимней одежды на склад).

Будут представлены на распродажу 35 лотов одежды  
и обуви для женщин и мужчин **СО СКИДКАМИ**  
минимум **50%**, максимум **70%**, 4 из них:

Плащ жен. Pizavite модель Трапещия с капюшоном, мультиразмер, пр-во Финляндия 120000тг. ↓ 50000тг.	Дубленка жен. Pizavite, баранья кожа, лазерная обработка пр-во Финляндия 240000тг. ↓ 105000тг.	Куртка муж. Яйтон, модель: пилот/дипломат(удл) нат. кожа, классика пр-во Швеция 90000тг. ↓ 35000тг.	Обувь жен/муж на основе ортопедической колонки, пр-во Дания/Швеция 25000тг. 20000тг. ↓ ↓ 11500тг. 9500тг.
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**А ТАКЖЕ ОБУВЬ В ПОДАРОК,  
ПРИ ПОКУПКЕ ЛЮБОЙ КУРТКИ**

**РАСПРОДАЖА СОСТОИТСЯ ПО АДРЕСУ:**




ТЦ «LIFE TOWN» 1 этаж, б-р Мендикулова, 98  
выше ул. Жолдасбекова  
ориентир супермаркет «SMALL»  
**ОКТАБРЯ**  
**СУББОТА**  
Старт с 10:00



**ТОЛЬКО 1 ДЕНЬ**

Local Example  
Sales concept in practice

 **TOYOTA**  
Verso. Getaway car.



Marketing

Sales



Production





Societal  
MK

Marketing

Sales

Production



**BETTENHAUSEN DODGE**

**BUY TWO For the Price of ONE**

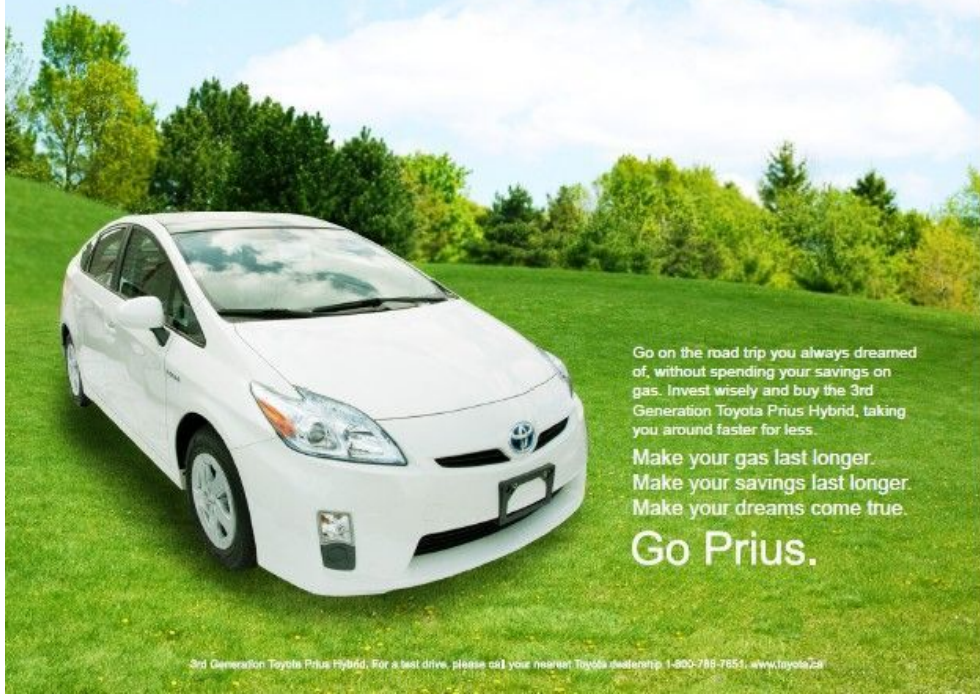
**OVER 20 MILLION DOLLARS TO LEND APPROVING CREDIT TODAY**

**BUY AND**

**BUY 2 for the PRICE of 1**



Go Green. Go Prius.



Go on the road trip you always dreamed of, without spending your savings on gas. Invest wisely and buy the 3rd Generation Toyota Prius Hybrid, taking you around faster for less.

Make your gas last longer.  
Make your savings last longer.  
Make your dreams come true.

**Go Prius.**

3rd Generation Toyota Prius Hybrid. For a test drive, please call your nearest Toyota dealer at 1-800-785-7851. www.toyota.com

# CAMERA ON

Discuss in breakout rooms

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- What is the best approach/philosophy to do business?
  1. Production
  2. Sales
  3. Marketing
  4. Societal marketing

# Marketing Management Orientations

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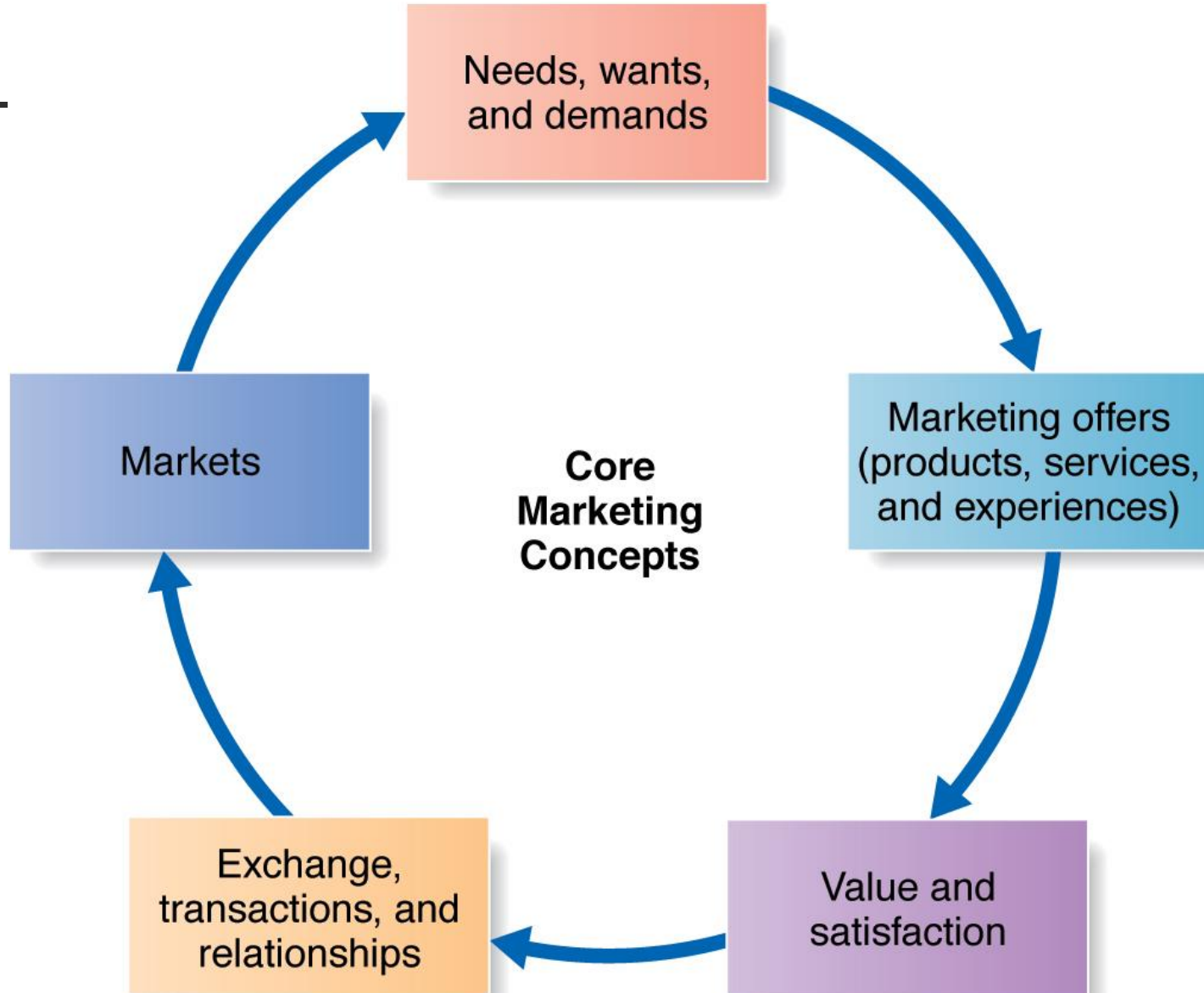
## **Societal marketing concept**

is the idea that a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-term interests, and society's long-run interests

### **Self-study question**

**List and describe with examples considerations underlying the Societal Marketing Concept**

# Core Marketing Concepts



Type your answer in the chat

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What is the difference between  
what people **need** and  
what people **want**?



# The Difference Between Wants vs. Needs in Economics

## NEEDS VERSUS WANTS

Needs are necessities or essentials

Wants are desires

Essential for survival

Not essential for survival

Do not change over time

Change over time

Non-fulfilment can lead to adverse outcomes

Non-fulfilment may result in mental distress

All individuals have the same basic needs

Wants may differ according to different individuals

# Hard to distinguish

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- What do people need?
- What do people want?



# Hard to distinguish



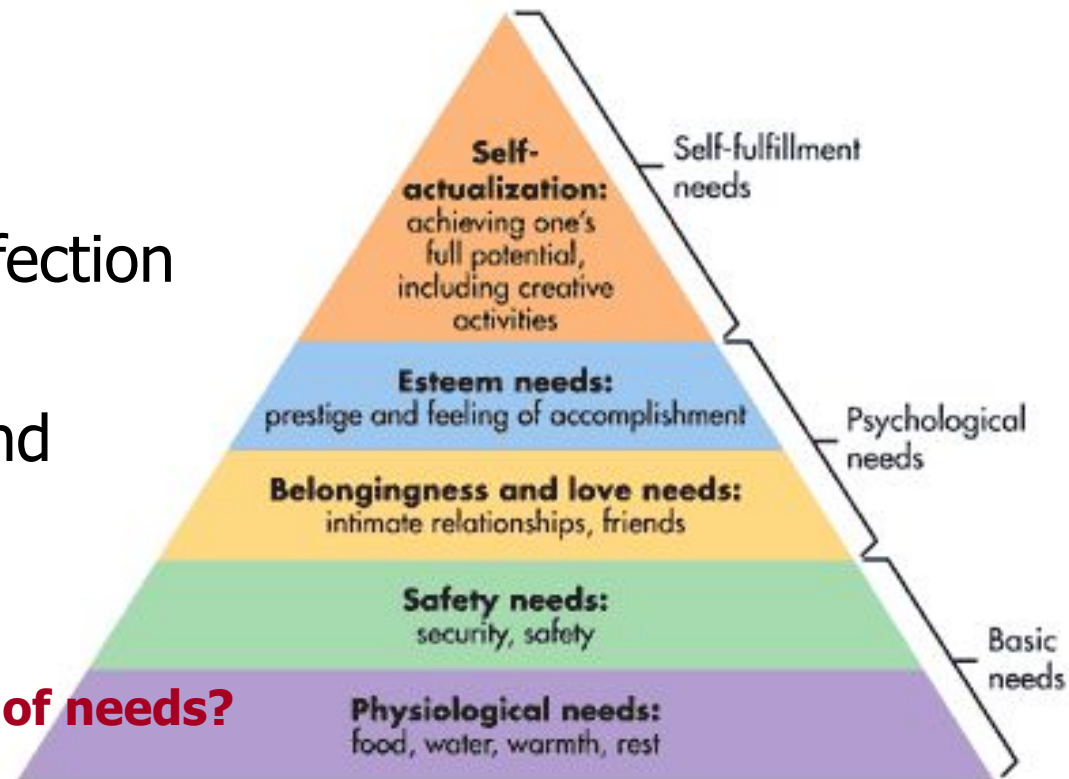
- Food
- Apartment
- Clothing
- Relaxation
- Socializaing



# Understanding the Marketplace and Customer Needs

**Needs** are states of felt deprivation (lack of something)

- Physical—food, clothing, warmth, safety
- Social—belonging and affection
- Individual—knowledge and self-expression



**Q: Who developed the pyramid of needs?**

# Understanding the Marketplace and Customer Needs

**Needs** are states of felt deprivation

(lack of something, gap between what you have and what you would like to have)

- Physical—food, clothing, warmth, safety
- Social—belonging and affection
- Individual—knowledge and self-expression



# Recognition of the Problem or Need: The Needs Gap



## Desired State

- I have clear skin

The Gap  
Or  
Need

## Actual State

- I have skin problems



# Understanding the Marketplace and Customer Needs

**Needs** are states of felt deprivation

**Wants** are the form that needs take as they are shaped by culture and individual personality

**Demands** are wants backed by buying power



# Needs, Wants, Purchasing Power, Demand





Provide examples of general needs and specific wants for consumers:

**needs (same for all people)**

**wants (specific for different people)**

**1. Save time,**

**2. Beauty,**

**3. Pleasure,**

**4. Comfort,**

**5. Practicality,**

**6. Health,**

**7. Good attitude,**

**8. Originality,**

**9. Gain prestige,**


**10. Improve protection and security,**

**11. Experience pride of ownership,**

**12. Seek companionship,**

**13. Advance in one's career**

**14. Save money, Increase income**

- 
- Needs are same for all people
  - Wants are different for all people
  
  - Companies have to distinguish
    1. Needs
    2. Wants
    3. Demands
  - **WHY???**

# Why Brands Need to Put Consumers' Wants and Needs at the Heart of Marketing Strategies



**ADWEEK**

needs and values. While it can be difficult to parse those out, it's critical to developing not only a marketing strategy, but a product or service that resonates with your audience and is additive to their life.

**“A deep understanding of what people want is the first step in building a brand with values that are aligned with its consumers.”**

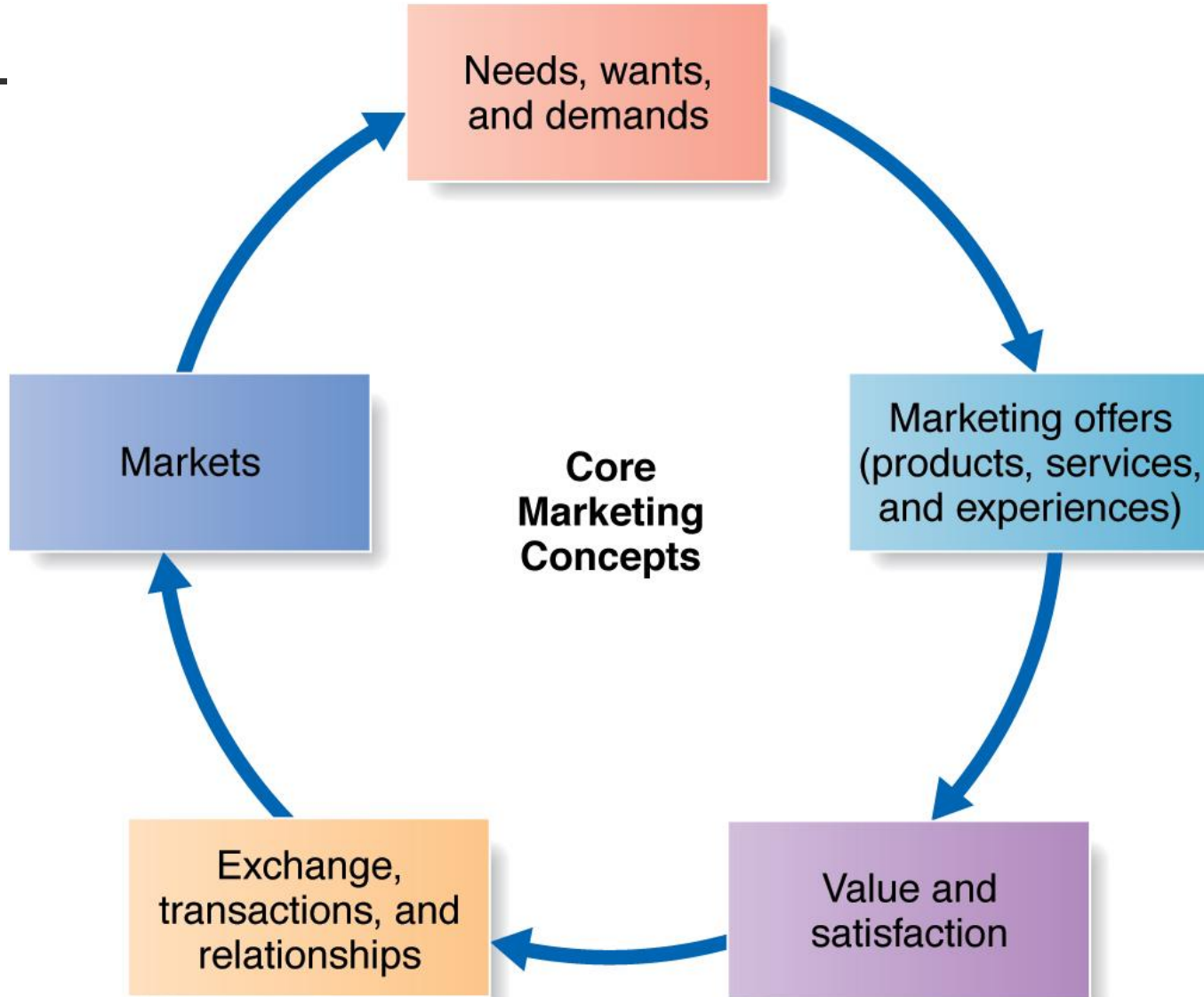
It's even more critical as Gen Z comes of age. By now, we all know that Gen Z has a laser sharp radar for inauthentic brands. In a report published on CNBC last year, which

surveyed females between the ages of 13 and 24, 67% agreed with the statement that “being true to their values and beliefs makes a person cool.” This generation of digital natives can easily detect a disconnect between what a brand says and what it does. A deep understanding of what people want is the first step in building a brand with values that are aligned with its consumers.

Source: ADWEEK

<https://www.adweek.com/brand-marketing/why-brands-need-to-put-the-consumers-wants-and-needs-at-the-heart-of-marketing-strategies/>

# Core Marketing Concepts



# What Can Be Marketed?

- Goods
- Services
- Places
- Ideas
- Events
- Persons
- Properties
- Organizations
- Information
- Experiences

*What is being marketed in this ad?*



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THE PROTECTION  
OF ALL ANIMALS**

**THE HUMANE SOCIETY  
OF THE UNITED STATES**

Southwest Regional Office  
3001 LBJ Freeway, Suite 224  
Dallas Texas 75234

© Ron Burns  
www.ronburns.com  
Ron Burns is Artist  
in Residence for  
The Humane Society  
of the United States

# *Market Offerings: Products, Services, and Experiences*

**Market offerings** are some **combination** of **products, services, and experiences** offered to a market (individuals or organizations) to satisfy a need or want

**What are the product, service, experience components for**

- Nike sport shoes
- Cinemax
- Burger at MacDonaldd
  - What does every letter mean?
  - **P=Q+S+C**



# CAMERA ON

Discuss in breakout rooms

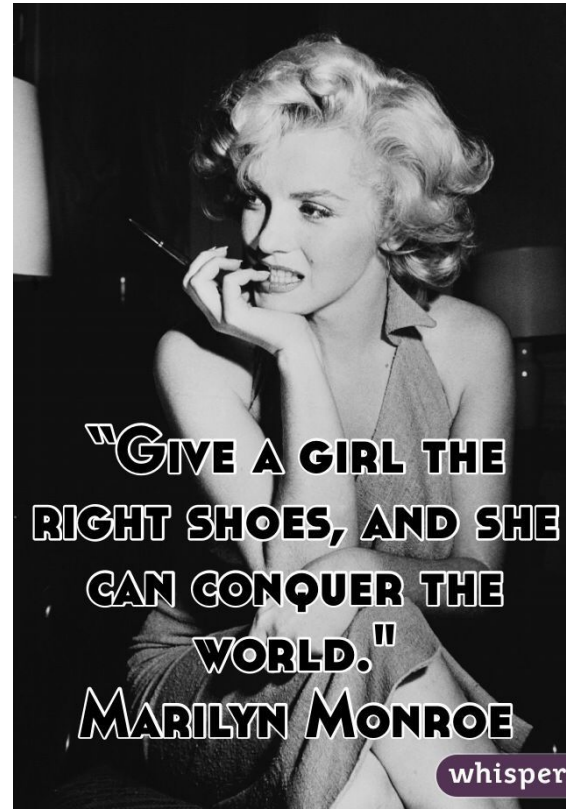
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Why do people **need shoes**?

How **individual wants** for shoes are different?

Ex. 1. men vs women

Ex. 2. football players vs. tennis players



"GIVE A GIRL THE  
RIGHT SHOES, AND SHE  
CAN CONQUER THE  
WORLD."

MARILYN MONROE

whisper





For each picture describe:

Customers' needs and wants



SIZE DOES MATTER



*Crystle  
Stewart*

Miss USA 2008

# Vegan-ism and footwear might not seem to be connected

- The 20 best vegan sneaker brands
- Adidas' New Vegan Shoes Need to Chill Out



Select any product category and

several products/brands (at least 3) from this category

Describe:

- 
1. Customers needs, wants, and demands
  2. Company's marketing offer/ Product/ Service
  3. For example - Shoes

Protect foot, fashionable, sexy, style



Protect foot, comfort, practicality, style



# Understanding the Marketplace and Customer Needs

**Marketing myopia** is the mistake of paying more attention to specific products a company offers than to benefits and experiences produced by these products

**In the factory we make cosmetics;**

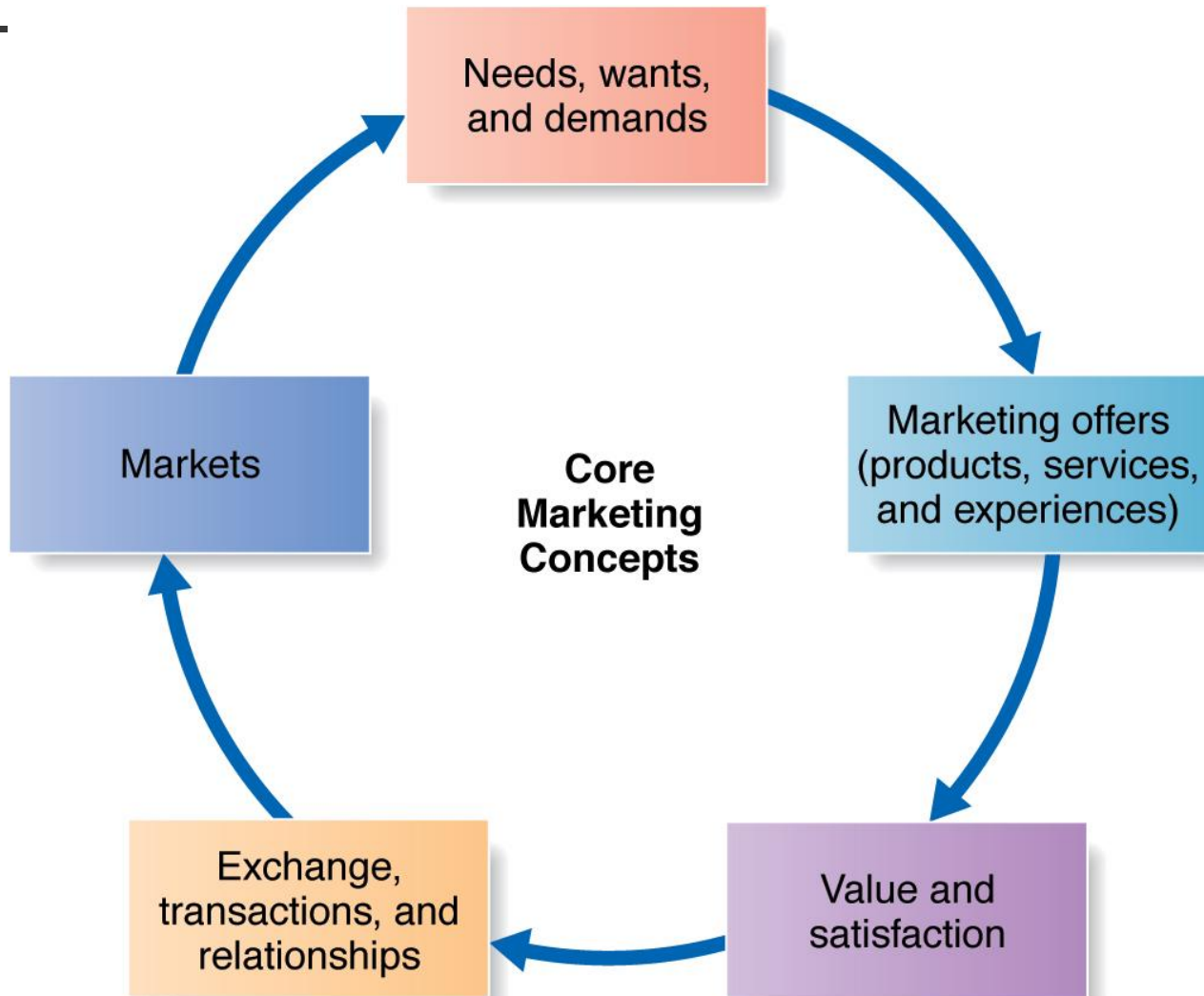
**in the store we sell hope**

*Charles Revson,*

*founder of Revlon*



# Core Marketing Concepts



# Understanding the Marketplace and Customer Needs

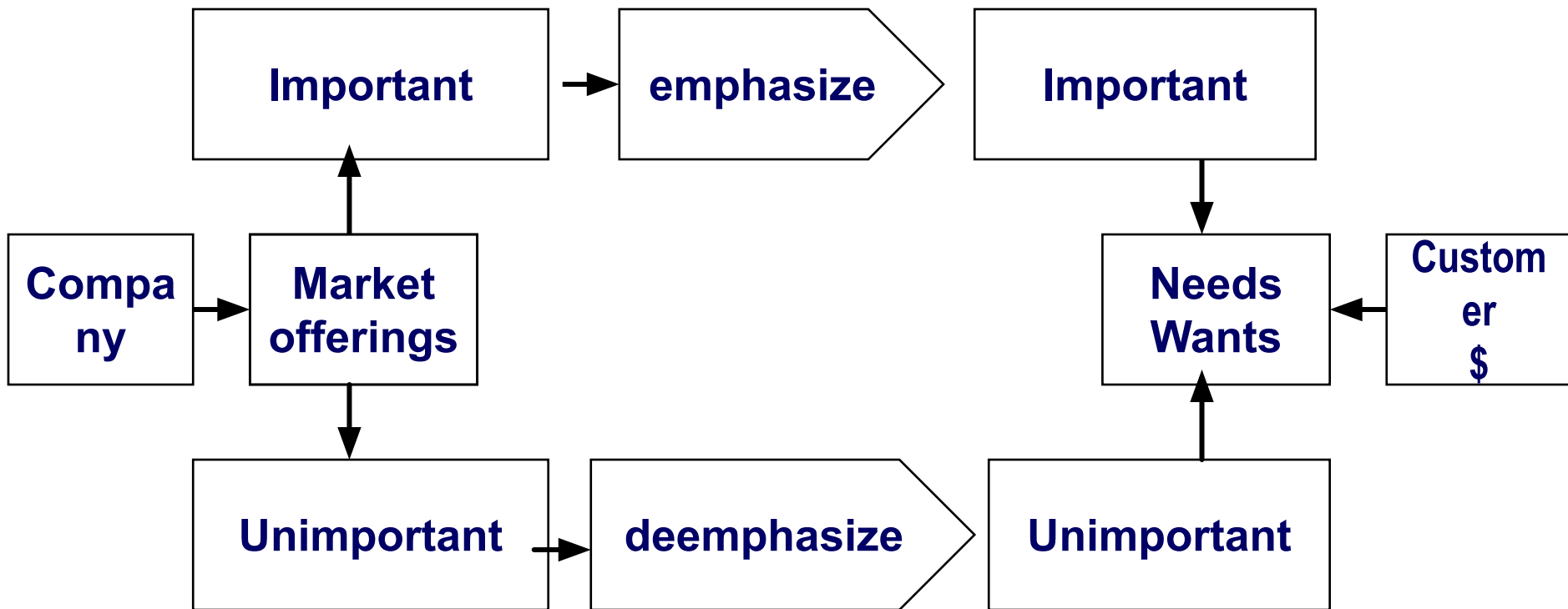
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## *Exchanges and Transactions*

**Exchange** is the act of obtaining a desired object from someone by offering something in return

**Transaction** – is a trade of values between two or more parties when agreement is reached

# Match market offerings to customers needs





# Ex. Two customers buying washing machines. What are their needs and wants?



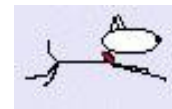
# Match market offerings to customers needs

For a selected product on your choice, fill in the table:

- **Customer**
- Briefly describe customers (age, gender, income, preferences, etc.) and what their important **needs and wants** are.
- **Product**
- Describe Marketing Offer / Product (as a combination of Tangible Product + Service + Experience)

# What Marketing Concepts are demonstrated here?

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# Customer Value and Satisfaction

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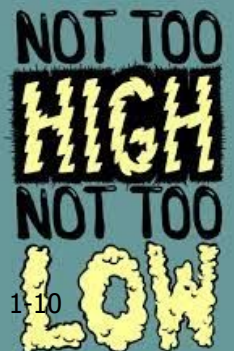
- Expectations
  - Customers
    - Value and satisfaction
  - Marketers
    - Set the right level of expectations

*Company promise - We have the best service hotel*

*What would you expect?*

*Company promise - We have minimum service hotel*

*Would you want to go?*



NOT TOO  
HIGH  
NOT TOO  
LOW  
1:10

# Type your Answer in the Chat

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- How do customers select among several product offerings?



# Value, Cost, Satisfaction

General	Product	Specific	Choice
Need	Set	Needs/Wants/ Requirements	product that produce the <b>most value</b> as the <b>satisfaction</b> of customer <b>requirements</b> at the lowest possible <b>cost</b> of acquisition, ownership, and use
food	<ol style="list-style-type: none"><li>1. University canteen</li><li>2. Fast Food restaurant nearby</li><li>3. Expensive restaurant at Chymbulak</li></ol>	<p>Speed</p> <p>Taste</p> <p>Service</p> <p>Ease</p> <p>Economy</p>	



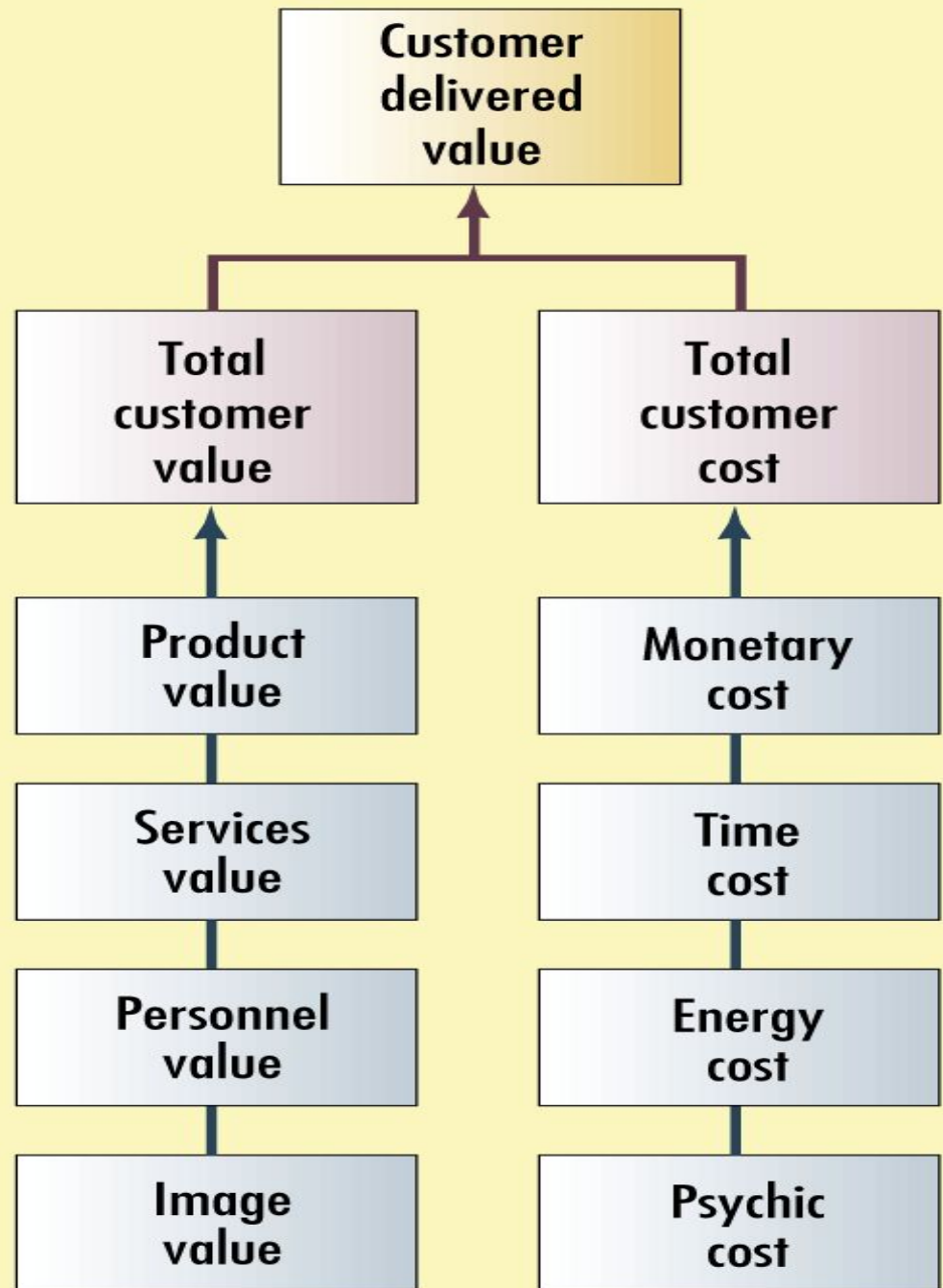
**Chalet Chimbulak vs.**

**KIMEP Grill**



Determinants of  
Customer  
Delivered Value

what you get and  
what you spend

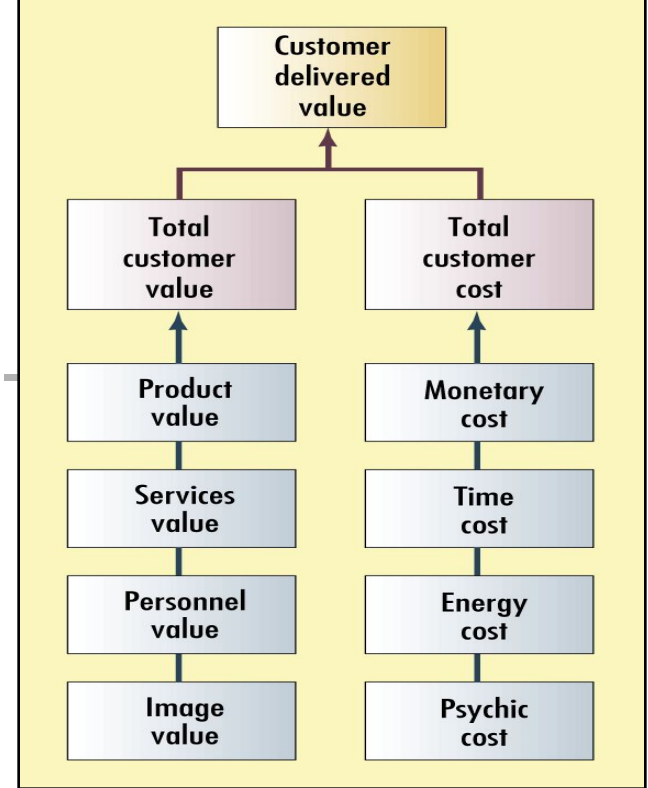




# How customers make their choice?

Compare all components of value and cost

What would you select?



# Customer Value

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- **Customer delivered value** – the customer evaluation of the difference between total customer value and total customer cost
- **Total customer value** – the bundle of benefits customers expect from a given product or service
- **Total customer cost** – the bundle of costs customers expect to incur in evaluating, obtaining, and using the product or service

**Total Customer VALUE – Total Customer COST = Customer Delivered Value (CDV)**

**Value 1**

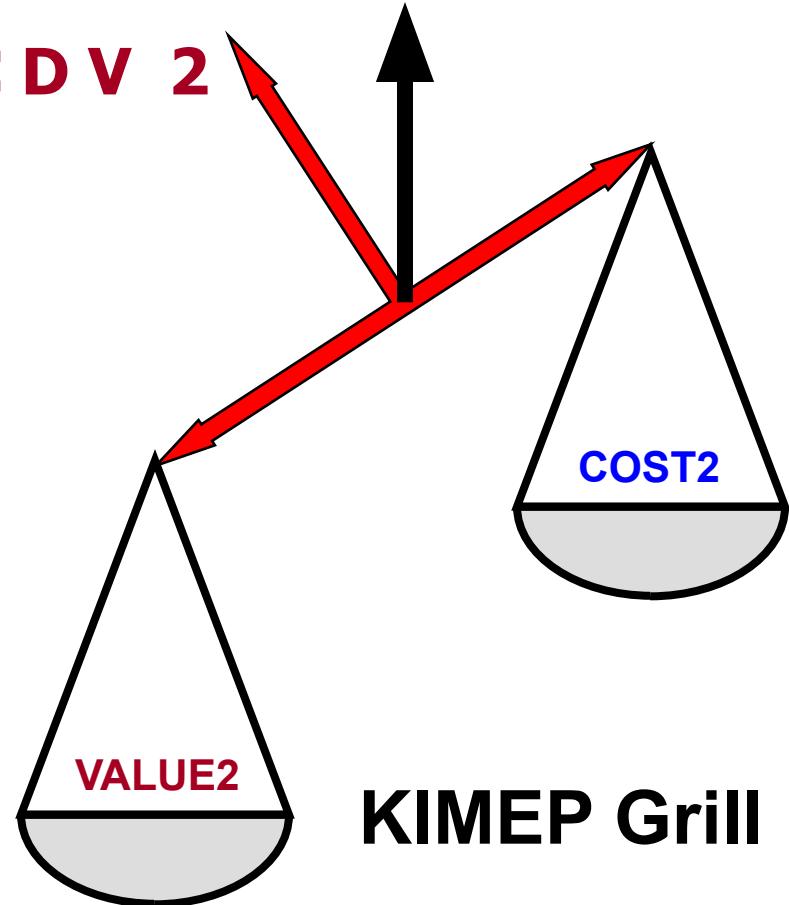
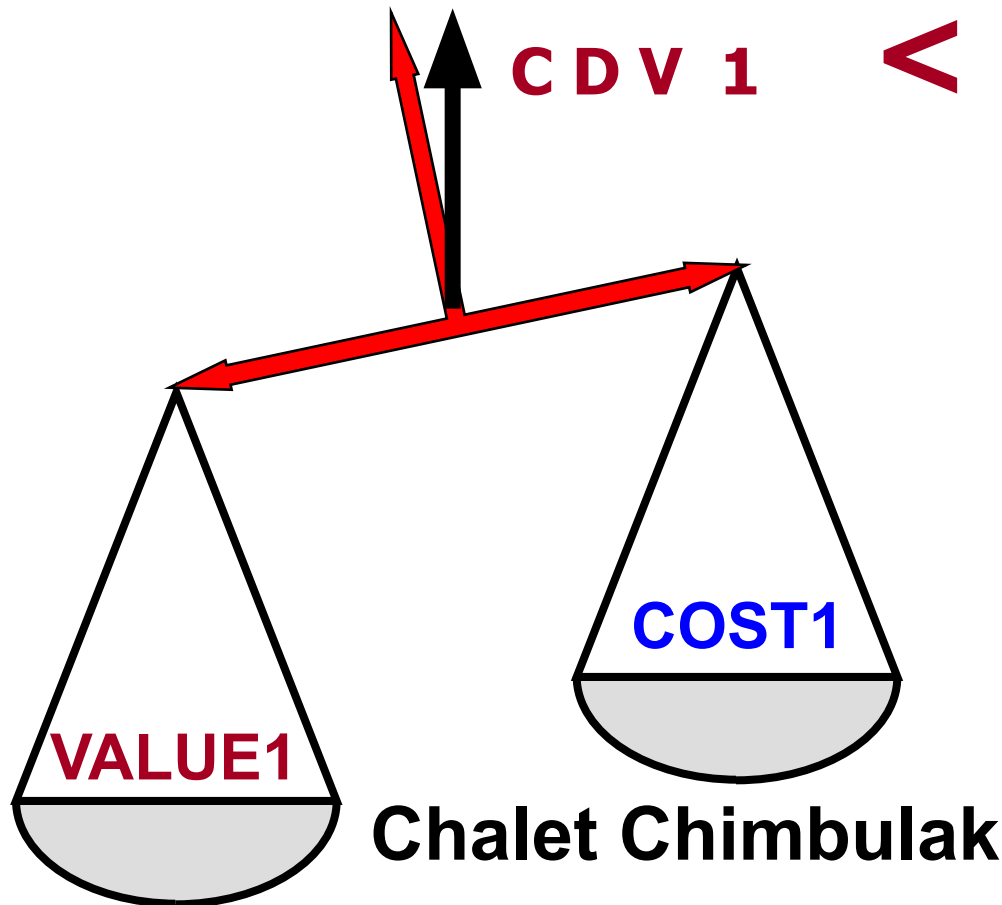
**>**

**Value 2**

**CDV 1**

**<**

**CDV 2**



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» Детский мир

» Цифровая техника

» Канцтовары

» Электроника

» Муз. инструменты

» Обратная связь



**Value**

**vs.**

**Cost**

Product

Price

Service

Time

Personnel

Psychic

Image

Energy



# iPhone X

Say hello to the future.

[Learn more >](#) [Buy >](#)



## Value

- Product
- Service
- Personnel
- Image

vs.

## Cost

- Price
- Time
- Psychic
- Energy

# How do you evaluate satisfaction with this product?

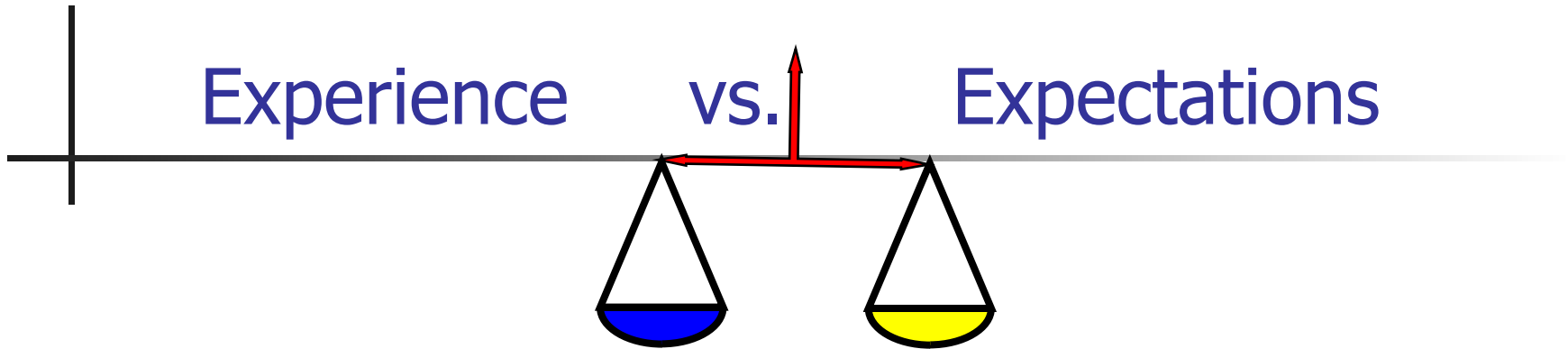
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From your own experience, provide examples of **SATISFACTION** and **DISSATISFACTION** with products or services.

**WHY** do you think you were satisfied or dissatisfied?



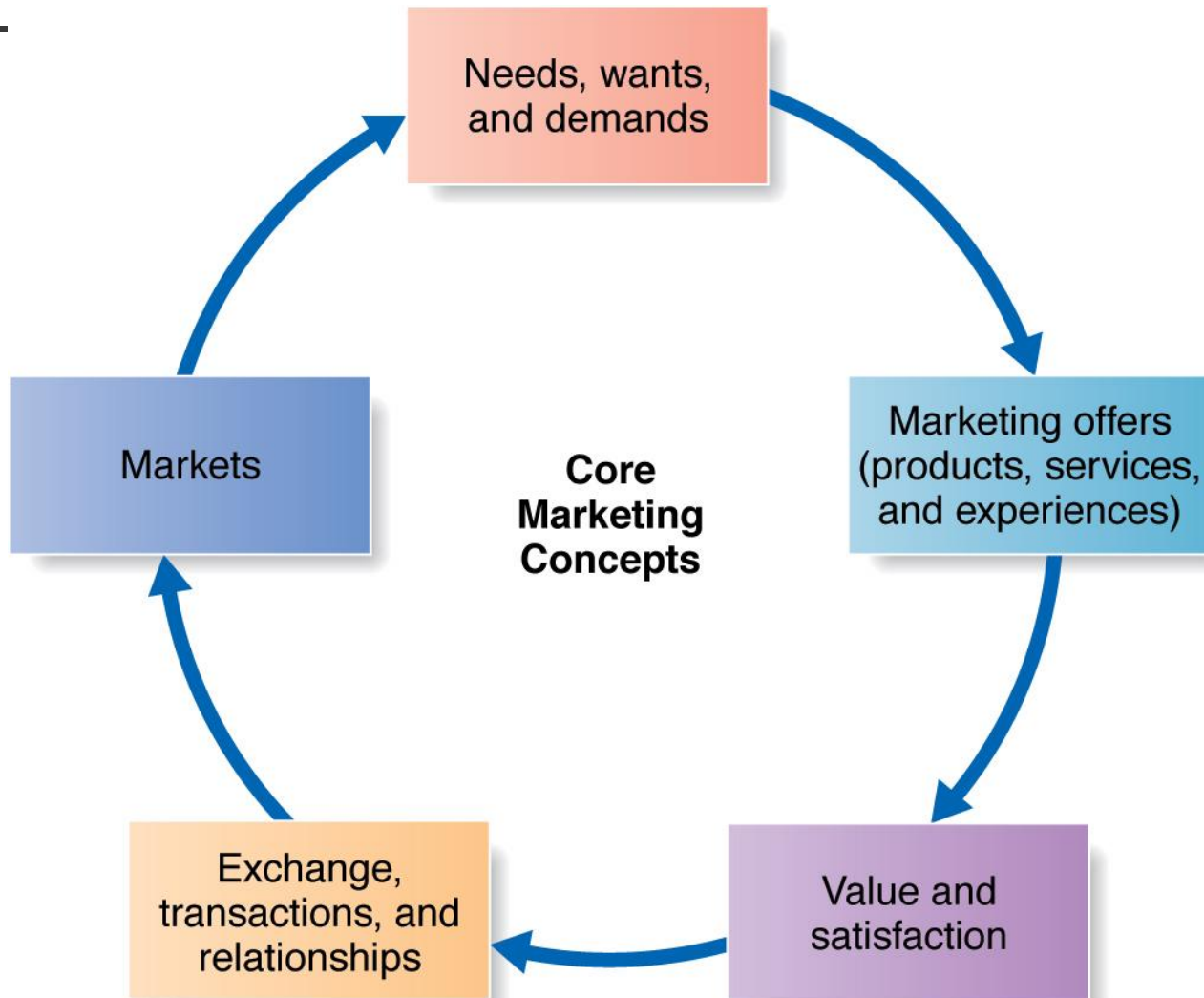
# Customer Satisfaction:



**Customer satisfaction** is the extent to which a product's perceived performance matches a buyer's expectations



# Core Marketing Concepts





# Understanding the Marketplace and Customer Needs

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**Relationships** consist of actions to build and maintain desirable relationships

# Attracting and Retaining Customers

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- Attracting Customers

- Costly
- Research has found that what it costs to gain a new customer is about 5 times more than keeping customer we've got

- Computing the Cost of Lost Customers

- Customer defection

Adding water to a leaking bucket



Attracting new customers is costly  
20 % discount for the first 3 purchases

15% discount for review

Franchise from Russia opened in KZ in 2021



**Дарим скидку  
15% ЗА ОТЗЫВ**

Помогите жителям города сделать  
правильный выбор

Срок действия: 01.09.2021 по 31.12.2021



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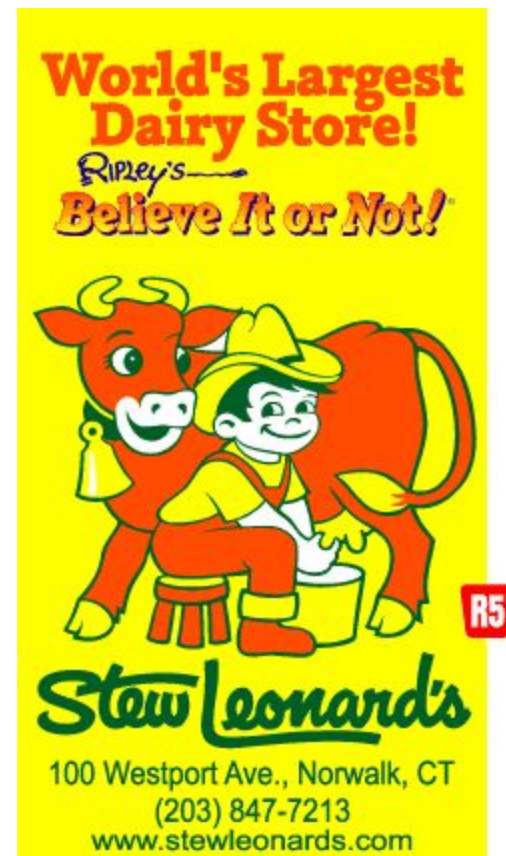
\*акция действует до 31.10.2021. Действует на все меню, кроме акционных предложений. Только по промокоду «давайдружить». Подробности уточняйте на сайте Sushi-master.kz или по телефону +7501 Топ «суси мастер кз», бин 200 840 017 619. Юр. Адрес: г. Алматы, ауэзовский район, Мкрн 6, дом 11, н.п. 58



# Computing the Cost of Lost Customers

Stew Leonard, who operates a highly profitable single-store supermarket, says that he sees \$50,000 flying out of his store every time he sees a dissatisfied customer.

Why \$ 50 000?



# Capturing Value from Customers

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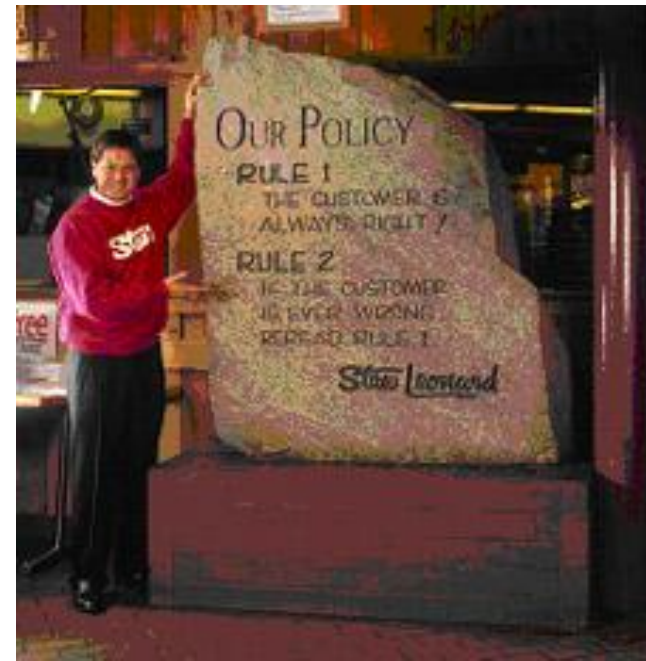
## *Creating Customer Loyalty and Retention*

**Customer lifetime value** is the value of the entire stream of purchases that the customer would make over a lifetime of patronage

# Stew Leonard's "Disneyland of Dairy stores"

Stew Leonard's is so passionate about customer service that carved into a three-ton granite rock at each store entrance are two simple rules that make up the foundation of the company's philosophy:

- Rule #1--The Customer is Always Right**
- Rule #2--If the Customer is Ever Wrong, Re-Read Rule #1**



# Building Customer Relationships

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## *Customer Relationship Management (CRM)*

**Customer relationship management** is the overall process of building and maintaining profitable customer relationships by delivering superior value and satisfaction

# What is Market?

**Markets** are the set of actual and potential buyers of a product.

These buyers share a particular need or want that can be satisfied through exchange relationships.

What is a  
Consumer  
market?





# Review Marketing Chapter 1

How do you understand?

List key words to define

and explain why it is important to understand these concepts

1. Marketing
2. Needs, wants, demands
3. Marketing offers
4. Customer delivered value
5. Satisfaction
6. Exchange, transactions,
7. Relationship
8. Markets

# The Role of Marketing

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Discuss in a team, make 3 min statement presentation

Be ready to provide proofs to support your statement and to reject the opponents' statement, think of your debate strategy

Group A - prove "marketing is good"

Group B - prove "marketing is bad"